Owens State Community College
(a component unit of the State of Ohio)

Financial Report
with Additional Information
June 30, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Trustees
Owens State Community College
PO Box 10000
Toledo, Ohio 43699

We have reviewed the *Independent Auditor's Report* of the Owens State Community College, Wood County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Owens State Community College is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

October 28, 2009

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Owens State Community College

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Independent Auditor's Report

To the Board of Trustees
Owens State Community College

We have audited the accompanying statement of net assets of Owens State Community College (the "College") and its discretely presented component unit as of June 30, 2009 and 2008 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Owens State Community College and its discretely presented component unit as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2009 on our consideration of Owens State Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees
Owens State Community College

The management's discussion and analysis presented on pages 3 through 12 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

October 14, 2009

The management's discussion and analysis (MD&A) of Owens Community College's (the College) financial statements provide an overview of the College's operations for the fiscal years ended June 30, 2009, 2008, and 2007. Management has prepared this analysis, as well as the underlying financial statements and footnote disclosures, and is responsible for the completeness and fairness of the information.

Using This Annual Report

The College's annual report consists of three basic financial statements: the statement of net assets, the statement of revenues, expenses, and changes in net assets, and the statement of cash flows. These financial statements are prepared in accordance with Governmental Accounting Standards Board principles.

The financial statements report the College's net assets and changes in net assets. Increases or decreases in the College's net assets are indicative of the College's financial position. Changes of a non-financial nature are relevant as well, such as enrollment trends, program growth or decline, the functionality of facilities, and required maintenance.

The College's financial statements are prepared using the accrual basis of accounting.

Another important factor to consider when evaluating the financial viability of the College is its ability to meet financial obligations as they mature. The statement of cash flows presents the information related to cash inflows and outflows. This is broken down into four components: operating, investing, capital, and noncapital financing activities. The statement shows the College's sources and uses of cash.

Financial Highlights

The net assets by category for fiscal years 2009, 2008, and 2007 are shown below. Net assets in the aggregate increased $64,000 from fiscal year 2008.

	Net Assets			
	Invested in Capital Assets	Restricted (for loans)	Unrestricted	Total Net Assets
FY 2009	$ 78,840,707	$ -	$ 19,436,379	$ 98,277,086
FY 2008	76,855,298	-	21,357,552	98,212,850
FY 2007	72,764,560	106,676	22,428,170	95,299,406

Prior to fiscal year 2002, capital expenditures over $500 were capitalized and depreciation was not calculated. Beginning with fiscal year 2002, and in compliance with GASB 34, depreciation was calculated on capitalized assets. Also, beginning in fiscal year 2002, only items costing more than $5,000 were capitalized.

A summarization of the College's assets, liabilities, and net assets at June 30, 2009, 2008, and 2007 follows:

	2009	2008	2007
Assets			
Current assets	$ 51,543,014	$ 49,112,076	$ 48,047,018
Capital assets	79,117,202	77,391,539	73,165,772
Notes receivable	35,559	35,984	38,364
Total assets	130,695,775	126,539,599	121,251,154
Liabilities			
Current liabilities	29,442,882	25,145,978	23,197,296
Noncurrent liabilities	2,975,807	3,180,771	2,754,452
Total liabilities	32,418,689	28,326,749	25,951,748
Net Assets			
Invested in capital assets - Net of debt	78,840,707	76,855,298	72,764,560
Restricted	-	-	106,676
Unrestricted	19,436,379	21,357,552	22,428,170
Total net assets	**$ 98,277,086**	**$ 98,212,850**	**$ 95,299,406**

2009 Variances

Current assets increased by $2,430,938 in fiscal year 2009 primarily due to increases in investments, prepaid and deferred charges and accounts receivable, offset by decreases in cash and cash equivalents. Current liabilities increased in fiscal year 2009 due primarily to increases in deferred revenue. Noncurrent liabilities decreased in fiscal year 2009 due primarily to decreases in benefits payable and notes payable. Net assets increased by the amount that revenue exceeded expenses, which is described in more detail later. Changes in capital assets are also described in more detail later.

2008 Variances

Current assets increased by $1,065,058 from 2007 to 2008 primarily due to increases in investments and prepaid and deferred charges offset by decreases in cash and cash equivalents and accounts receivable. Current liabilities increased from 2007 to 2008 primarily due to increases in deferred revenue. The noncurrent liabilities increased from 2007 to 2008 primarily due to increases in benefits payable. Net assets increased by the amount that revenue exceeded expenses.

The following is a summary of the College's revenues, expenses, and changes in net assets for the years ended June 30, 2009, 2008, and 2007 as follows:

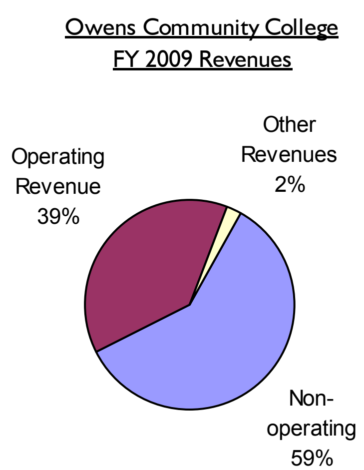
	2009	2008	2007
Operating Revenues			
Student tuition and fees	$ 21,470,296	$ 23,251,158	$ 23,260,468
Grants - Federal, state, and local	9,279,324	7,865,146	7,659,877
Sales and service	118,591	99,846	93,198
Auxiliary activities	10,846,786	9,279,368	8,344,801
Other operating revenues	1,164,276	815,000	728,172
Total operating revenues	42,879,273	41,310,518	40,086,516
Operating Expenses			
Educational and general	95,745,782	90,916,988	84,334,710
Depreciation	4,512,307	4,494,302	3,815,813
Auxiliary enterprises	10,151,856	8,363,691	7,940,242
Total operating expenses	110,409,945	103,774,981	96,090,765
Operating Loss	(67,530,672)	(62,464,463)	(56,004,249)
Nonoperating Revenues			
State appropriations	44,207,728	41,388,939	39,883,175
Investment income	828,744	1,081,567	1,236,281
Other nonoperating revenues	20,197,827	16,082,039	13,820,045
Total nonoperating revenues	65,234,299	58,552,545	54,939,501
Loss Before Other Revenues - Before capital appropriations and grants	(2,296,373)	(3,911,918)	(1,064,748)
Capital Appropriations and Grants	2,360,609	6,825,362	3,608,695
Increase in Net Assets	64,236	2,913,444	2,543,947
Net Assets - Beginning of year	98,212,850	95,299,406	92,755,459
Net Assets - End of year	**$ 98,277,086**	**$ 98,212,850**	**$ 95,299,406**

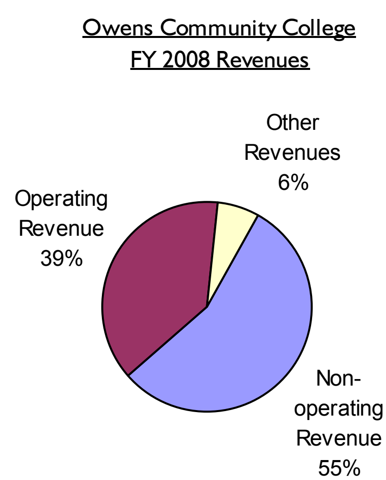
Statement of Revenues, Expenses, and Changes in Net Assets

The College converted from a technical college to a state community college in 1994. Since that date, enrollment has increased by 157 percent and the full-time equivalent (FTE) increased by 164 percent (an FTE is defined as a student taking 15 credit hours in a semester). For the fall semester 2008, the headcount of 21,328 represented a 4.4 percent increase; for the fall semester 2007, the headcount of 20,425 represented a 6.5 percent increase, while for the fall semester 2006, the headcount of 19,176 represented a 6 percent increase. The FTEs for fall 2009, 2008, and 2007 were 12,988, 11,216 and 10,866, respectively, and represented an increase of 15.8 percent in 2009 and 3.2 percent in 2008.

The College's two major sources of revenue are operating (tuition and fees) and nonoperating (the State Share of Instruction). Both types of revenue are tied to enrollment, with tuition and fees being generated via an assessment mechanism. This mechanism focuses on individual credit hours of enrollment. In contrast, the State Share of Instruction is calculated using a methodology that aggregates credit hours from similar programs into model groups referred to as Arts and Humanities (AH); Business, Education & Social Sciences (BES); and Sciences, Technology, Engineering, Mathematics and Medical (STEM 2). Each of these groupings is then assigned a value based on historical cost. This value, less an assumed charge for the College's tuition and fees, provides a net value. This net value is then factored by the College's FTE students in that program (Hours/30) to arrive at the monies due the College for the State Share of Instruction.

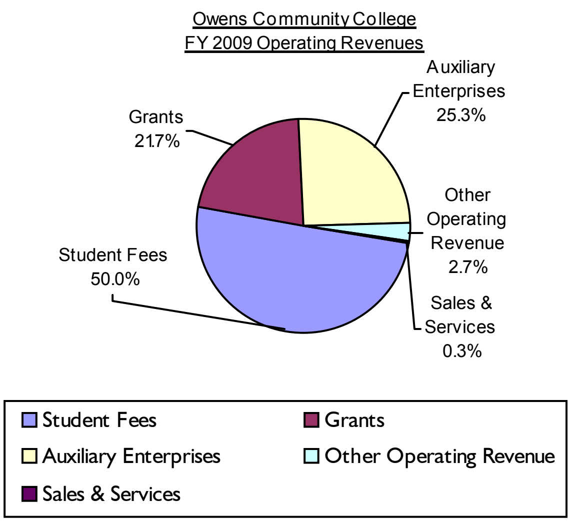
The charts below present total revenues by category for the fiscal years ended June 30, 2009 and 2008:

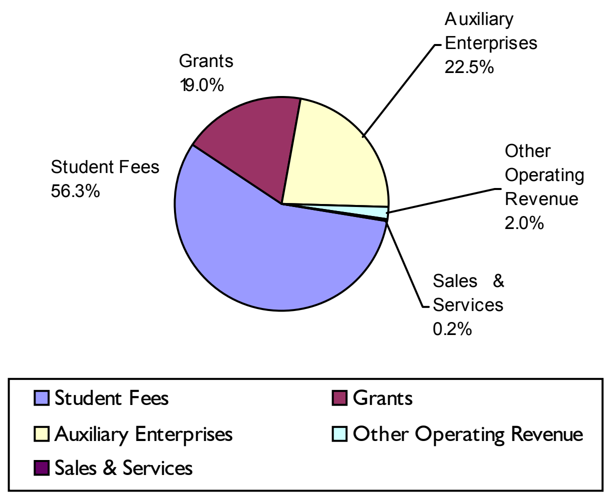




Operating Revenue

The charts below reflect the College's operating revenue for the fiscal years ended June 30, 2009 and 2008:





The College fee that students were assessed on a per credit hour basis for summer 2003 (fiscal year 2004) was $100.75. Effective for summer 2004 (fiscal year 2005), the per credit hour fee was increased to $110, reflecting a $6.00 per credit hour increase in the instructional fee and a $3.25 per credit hour increase in the general fee. The general fee provides for non-instructional services such as student activities, library privileges, and technology. Presently, the College has allocated a portion of the general fees for technology initiatives. Effective for summer 2005 (fiscal year 2006), the per credit hour fee was increased to $116, reflecting a $6.00 per credit hour increase in the instructional fee only. For fall 2006, the per credit hour fee increased to $122.50, reflecting a $6.00 per credit hour increase in the instructional fee, and a $.50 per credit hour general fee increase for student organization support. The tuition and fees per credit hour has remained at $123 since the freeze mandated by the State of Ohio.

With the increase in FTEs over the past three fiscal years, tuition and fees revenues increased. Gross student tuition and fees revenues in fiscal years 2009, 2008, and 2007 totaled $45,611,948, $43,477,282, and $41,468,981, respectively.

Scholarship allowances and scholarship dollars per FTE have also increased. In fiscal year 2009, scholarship allowances totaled $24,141,652 and scholarship dollars per FTE was $1,859. For 2008, scholarship allowances totaled $20,226,124 and scholarship dollars per FTE was $1,803. In 2007, scholarship allowances totaled $18,208,513 and scholarship dollars per FTE was $1,675. Since scholarship allowances increased at a faster rate than tuition growth, student tuition and fees revenue, net of scholarship allowances, show a decrease in fiscal year 2009.

Auxiliary service activities (including food services, bookstore operations, childcare services, Center for Fine and Performing Arts, advertising, communications, and copy center) increased primarily due to additional textbook sales.

Non-operating Revenue

The College's largest single source of revenue is the non-operating revenue received from the State of Ohio. The College's State share of instruction and access challenge funds amounted to $44,207,728, $41,388,939, and $39,883,175 in fiscal years 2009, 2008, and 2007, respectively.

Another component of non-operating revenue is investment income. Interest rates have increased due to the change in investments in fiscal years 2007 and 2006. The increase in investment earnings almost doubled from 2004-2005 and was up significantly again in 2005-2006. The trend continued in 2006-2007. In 2008, investment earnings declined. In 2009, interest rates for most types of investments decreased significantly. However, because of the diversity of Owens' portfolio, we managed to have only a partial drop in investment income considering the drop in cash and investments. The market value of the investments actually increased over the base for the first time since Owens changed the types of investments held.

Pell grants continue to increase as enrollment at the College increases.

Operating Expense Changes

The College's revenues and operating expenses are closely linked to student enrollment changes. Instructional and departmental research expenses increased in fiscal year 2009 due to increased adjunct and faculty overload expenses. Institutional research expenses increased in fiscal year 2009 because the College's portion of a grant funded position increased. Academic support and student services expense increased with the development of a Teaching and Learning Center for academic staff and a Learning Center for students. A decline in plant investment caused plant operation and maintenance expense to decrease in fiscal year 2009. Scholarships and other student aid were higher in fiscal year 2009 due to an increase in Ohio College Opportunity grants.

The depreciation expense for fiscal years 2009, 2008, and 2007 was $4,512,307, $4,494,302, and $3,815,813, respectively.

Capital Assets

At June 30, 2009, 2008, and 2007, the College had $79,117,202, $77,391,539, and $73,165,772, respectively, invested in capital assets.

The details of the capital assets at June 30, 2009, 2008, and 2007 are shown below:

	2009	2008	2007
Land and land improvements	$ 26,725,958	$ 20,120,210	$ 13,132,678
Buildings	90,405,201	95,252,305	88,236,918
Equipment	21,723,168	20,872,216	19,784,876
Leasehold improvements	231,638	223,286	-
Less accumulated depreciation	(64,078,163)	(59,565,857)	(55,095,690)
Net of depreciation	75,007,802	76,902,160	66,058,782
Construction in progress	4,109,400	489,379	7,106,990
Total	$ 79,117,202	$ 77,391,539	$ 73,165,772

Debt associated with capital assets relates to notes payable for two pieces of equipment and notes payable for the 2005 purchase of a new telephone system. Equipment was purchased from Caterpillar and John Deere in fiscal year 2008. Total debt still remaining at June 30, 2009 was $276,495.

Capital Projects

Fiscal year 2009 has seen significant investment of effort and capital involving the renovation of the Penta Joint Vocational School campus and its associated buildings. The College has undertaken a $3 million project to renovate Founders Hall, known formerly as the Penta Administration Building. With completion scheduled for January 2010, this project will provide the College with more classrooms, computer labs, and faculty offices. January 2010 will also see the completion of phase one of the Heritage Hall renovation. With an estimated cost of approximately $3.9 million, phase one will renovate over 36,000 square feet, providing faculty offices and instructional space for the School of Business and the Department of Nursing.

Cash Flows

The statement of cash flows for the years ended June 30, 2009, 2008, and 2007 is as follows:

	Year Ended June 30		
	2009	2008	2007
Cash Flows from Operating Activities			
Student tuition and fees	$ 20,080,100	$ 24,698,197	$ 23,282,612
Grants - Federal, state, and local	9,795,896	6,962,255	7,614,963
Payments to employees, suppliers, students, and others	(105,578,404)	(98,740,689)	(89,927,014)
Auxiliary enterprises	10,838,491	9,238,615	8,338,097
Sales and services	118,591	99,846	93,198
Other receipts	698,901	1,519,395	426,069
Net cash used in operating activities	(64,046,425)	(56,222,381)	(50,172,075)
Cash Flows from Noncapital Financing Activities			
Pell grant	20,197,827	16,082,039	13,820,045
State appropriations	44,207,728	41,388,939	39,883,175
Net cash provided by noncapital financing activites	64,405,555	57,470,978	53,703,220
Cash Flows from Capital and Related Financing Activities			
Principal payments on notes payable	(259,746)	(214,681)	(178,076)
Capital appropriations and grants	2,256,554	6,577,797	4,357,290
Purchases of capital assets	(6,237,970)	(8,720,069)	(5,839,013)
Net cash used in capital and related financing activities	(4,241,162)	(2,007,243)	(1,659,799)
Cash Flows from Investing Activities			
Interest on investments	831,732	1,091,983	1,222,983
Purchase of investments	(15,961,412)	(13,368,174)	(7,135,395)
Proceeds from sale and maturity of investments	13,499,497	9,785,564	3,872,413
Net cash used in investing activities	(1,630,183)	(2,490,627)	(2,039,999)
Net Decrease in Cash	(5,512,215)	(3,249,273)	(168,653)
Cash - Beginning of year	10,433,157	13,682,430	13,851,083
Cash - End of year	**$ 4,920,942**	**$ 10,433,157**	**$ 13,682,430**

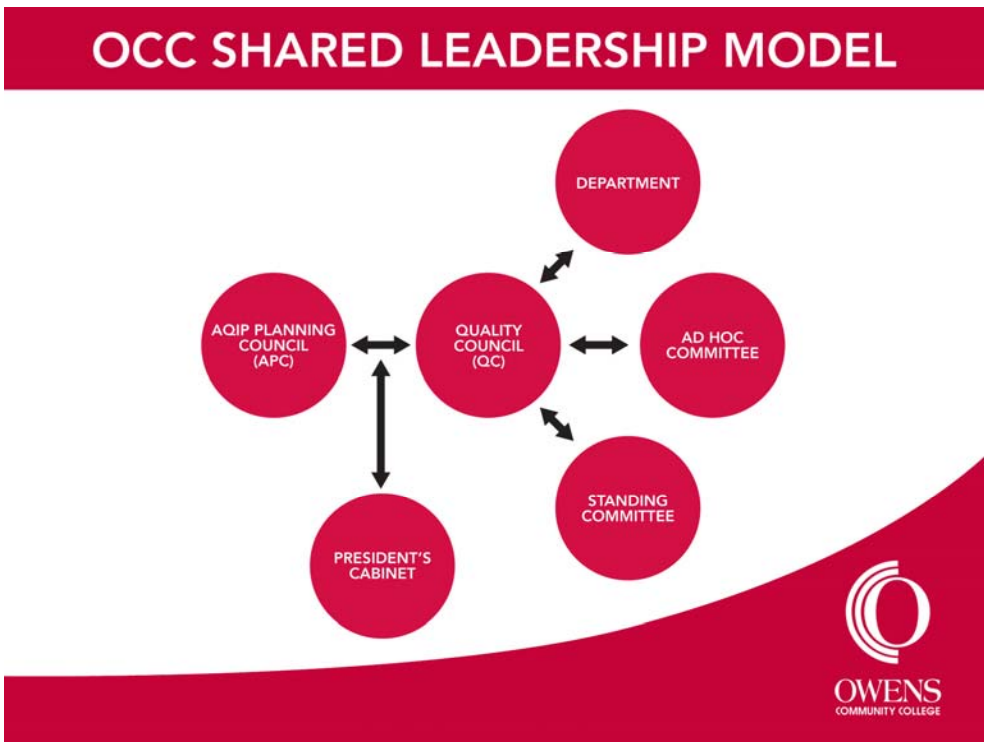
Cash used in operating activities increased over 2008 due primarily to an increase in operating expenses incurred by the College as well as an increase in the scholarship discount. Primary inflows of operating cash are from tuition and fees, grant revenue, and auxiliary enterprises. Primary outflows of operating cash are payments to employees and suppliers. Cash flows from noncapital financing activities increased due to the increased amount of Pell grants students received and an increase in state appropriations. Cash flows from capital and related financing activities decreased slightly from 2008 due to a decrease in capital appropriations. Cash flows from investing activities remained relatively consistent year over year.

Initiatives

AQIP Planning Council and the Quality Council

Owens Community College (OCC) is in the process of implementing a shared leadership model. This model was developed to facilitate communication among all members of the Owens Community College community and place authority for decision-making with those who should participate in making the decisions. The model allows for the two-way flow of information. It also establishes a structure for decision-making at the appropriate point of contact (see Figure 1).

Figure 1



Following are the mission statement and objectives for the OCC Shared Leadership Model:

Learning Is the Sum of All That We Are

Service - We will create a community of reciprocal care and shared responsibility where every person matters and each person's welfare and dignity are respected and supported.

Learning - We will create a community of learners where we continually share knowledge, competencies, and skills to promote cultural enrichment, creative expression, and personal freedom.

Collaboration - We will empower individuals, build trust, and capitalize on the diverse talents of our employees.

Innovation - We will work together creatively to build a college that expands access and opportunity for students and communities.

Excellence - We will continually improve the quality of life and learning for our students and our communities to strengthen the civic environment of the communities we serve.

One goal of the Owens Community College shared leadership model is to push decision-making to the appropriate level. Some decisions, by law and by necessity, rest with the Board of Trustees. Others can be recommended and/or implemented by individuals, councils, committees, ad hoc committees, Departments, Divisions, and/or Schools. Certainly the technical decisions (routine, day-to-day decisions made by individuals as part of their job requirements) should be made by the person whose job it is to make those decisions. One of the early challenges of the shared leadership model will be to determine which decisions can and should be made and implemented within which arenas.

The OCC Shared Leadership Model consists of two standing councils (the AQIP Planning Council and the Quality Council), Owens Community College Departments, Standing Committees, and Ad Hoc Committees, as shown in Figure 1. College personnel (as individuals and as groups) are also part of the leadership model - since this model recognizes that all members of the college community are leaders and that all members should have the opportunity to participate in the decision-making process.

Owens State Community College

Statement of Net Assets

	June 30 2009	June 30 2008
Assets		
Current Assets		
Cash and cash equivalents (Note 2)	$ 4,920,942	$ 10,433,157
Investments (Note 2)	15,830,089	13,368,174
Accounts receivable - Net (Note 3)	24,183,489	20,575,266
Receivable from Foundation (Note 11)	78,419	48,498
Prepaid expenses and deferred charges	5,051,985	3,458,340
Deposits	23,458	172,959
Inventories	1,448,357	1,049,332
Student loans receivable - Net (Note 4)	6,275	6,350
Total current assets	51,543,014	49,112,076
Noncurrent Assets		
Capital assets - Net (Note 10)	79,117,202	77,391,539
Student loans receivable - Net (Note 4)	35,559	35,984
Total noncurrent assets	79,152,761	77,427,523
Total assets	**$ 130,695,775**	**$ 126,539,599**
Liabilities and Net Assets		
Liabilities		
Current liabilities:		
Accounts payable (Note 5)	$ 3,008,164	$ 2,809,336
Notes payable (Note 13)	111,996	267,797
Salaries, wages, and fringe benefits payable	5,798,750	5,184,294
Deferred revenue	20,148,120	16,531,844
Deposits held for others	375,852	352,707
Total current liabilities	29,442,882	25,145,978
Noncurrent liabilities:		
Benefits payable (Note 13)	2,663,984	2,758,980
Notes payable (Note 13)	164,499	268,444
Federal student loans (Note 13)	-	6,023
Non-federal student loans (Note 13)	147,324	147,324
Total noncurrent liabilities	2,975,807	3,180,771
Total liabilities	32,418,689	28,326,749
Net Assets		
Invested in capital assets	78,840,707	76,855,298
Unrestricted	19,436,379	21,357,552
Total net assets	98,277,086	98,212,850
Total liabilities and net assets	**$ 130,695,775**	**$ 126,539,599**

The Notes to Financial Statements
are an Integral Part of this Statement.

Owens State Community College

Statement of Revenues, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2009	2008
Revenues		
Operating revenues:		
Student tuition and fees - Net of scholarship allowances of $24,141,652 (2009) and $20,226,124 (2008)	$ 21,470,296	$ 23,251,158
Grants - Federal, state, and local	9,279,324	7,865,146
Sales and services	118,591	99,846
Auxiliary enterprises - Net of scholarship allowances of $431,414 (2009) and $396,349 (2008)	10,846,786	9,279,368
Other operating revenues	1,164,276	815,000
Total operating revenues	42,879,273	41,310,518
Operating expenses:		
Educational and general:		
Instructional and departmental research	48,378,728	45,925,230
Institutional research	320,631	284,168
Public service	2,606,221	2,762,045
Academic support	5,244,513	4,592,231
Student services	8,876,300	7,407,548
Institutional support	16,462,048	16,355,172
Operation and maintenance of plant	9,893,338	10,865,255
Scholarships and other student aid	3,964,003	2,725,339
Depreciation	4,512,307	4,494,302
Auxiliary enterprises - Net of scholarship allowances	10,151,856	8,363,691
Total operating expenses	110,409,945	103,774,981
Operating Loss	(67,530,672)	(62,464,463)
Nonoperating Revenues		
State appropriations	44,207,728	41,388,939
Investment income	828,744	1,081,567
Pell Grants	20,197,827	16,082,039
Net nonoperating revenues	65,234,299	58,552,545
Loss Before Other Revenues	(2,296,373)	(3,911,918)
Other Revenues		
Capital appropriations	2,330,609	6,795,362
Capital grants	30,000	30,000
Total other revenues	2,360,609	6,825,362
Increase in Net Assets	64,236	2,913,444
Net Assets		
Beginning of year	98,212,850	95,299,406
End of year	**$ 98,277,086**	**$ 98,212,850**

The Notes to Financial Statements
are an Integral Part of this Statement.

Statement of Cash Flows

	Year Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Student tuition and fees	$ 20,080,100	$ 24,698,197
Grants - Federal, state, and local	9,795,896	6,962,255
Payments to employees, suppliers, students, and others	(105,578,404)	(98,740,689)
Auxiliary enterprises	10,838,491	9,238,615
Sales and services	118,591	99,846
Other receipts	698,901	1,519,395
Net cash used in operating activities	(64,046,425)	(56,222,381)
Cash Flows from Noncapital Financing Activities		
Pell grant	20,197,827	16,082,039
State appropriations	44,207,728	41,388,939
Net cash provided by noncapital financing activities	64,405,555	57,470,978
Cash Flows from Capital and Related Financing Activities		
Proceeds from notes payable	-	349,710
Principal payments on notes payable	(259,746)	(214,681)
Capital appropriations and grants	2,256,554	6,577,797
Purchases of capital assets	(6,237,970)	(8,720,069)
Net cash used in capital and related financing activities	(4,241,162)	(2,007,243)
Cash Flows from Investing Activities		
Interest on investments	831,732	1,091,983
Purchase of investments	(15,961,412)	(13,368,174)
Proceeds from sale and maturity of investments	13,499,497	9,785,564
Net cash used in investing activities	(1,630,183)	(2,490,627)
Net Decrease in Cash	(5,512,215)	(3,249,273)
Cash - Beginning of year	10,433,157	13,682,430
Cash - End of year	**$ 4,920,942**	**$ 10,433,157**

The Notes to Financial Statements
are an Integral Part of this Statement.

	Year Ended June 30	
	2009	2008
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	$ (67,530,672)	$ (62,464,463)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	4,512,307	4,494,302
Changes in assets and liabilities:		
Receivables - Net	(3,536,577)	1,834,960
Inventories	(399,025)	(158,376)
Prepaid expenses and deferred charges	(1,444,144)	(2,168,776)
Accounts payable	198,828	228,406
Salaries, wages, and benefits payable	519,460	469,960
Deferred revenue	3,616,276	1,401,008
Federal and non-federal student loans payable	(6,023)	(83,460)
Deposits held for others	23,145	224,058
Net cash used in operating activities	**$ (64,046,425)**	**$ (56,222,381)**

Balance Sheet
Discretely Presented Component Unit
Foundation

	June 30	
	2009	2008
Assets		
Cash and cash equivalents	$ 698,242	$ 661,346
Accounts receivable	-	1,000
Investments (Note 2)	1,379,769	1,440,469
Pledges receivable	100,473	166,655
Total current assets	**$ 2,178,484**	**$ 2,269,470**
Liabilities and Net Assets		
Liabilities		
Due to Owens State Community College	$ 78,419	$ 48,498
Deferred revenue	3,051	1,709
Funds in custody (Agency Funds)	66,385	67,119
Total current liabilities	147,855	117,326
Net Assets		
Unrestricted	105,915	233,830
Temporarily restricted	815,316	877,751
Permanently restricted	1,109,398	1,040,563
Total net assets	2,030,629	2,152,144
Total liabilities and net assets	**$ 2,178,484**	**$ 2,269,470**

Owens State Community College

Statement of Revenues, Expenses, and Changes in Net Assets
Discretely Presented Component Unit - Foundation

	Year Ended June 30 2009	Year Ended June 30 2008
Revenue and Support		
Donations received	$ 345,492	$ 409,447
Other revenue	107,132	74,192
Investment income:		
Interest and dividend income	43,708	79,296
Unrealized loss on investments	(291,421)	(256,865)
Realized (loss) gain on investments	(4,417)	12,199
Total revenue and support	200,494	318,269
Expenses		
Program services:		
Scholarships	105,466	109,170
Equipment grant	34,997	34,806
Outside grants expense	106,158	74,192
Other program services	31,785	31,925
Total program services	278,406	250,093
Management and general	33,613	25,063
Fund-raising	9,990	18,001
Total expenses	322,009	293,157
(Decrease) Increase in Net Assets	(121,515)	25,112
Net Assets		
Beginning of year	2,152,144	2,127,032
End of year	**$ 2,030,629**	**$ 2,152,144**

The Notes to Financial Statements are an Integral Part of this Statement.

(1) Summary of Significant Accounting Policies

(a) Organization

Owens State Community College (the "College") was created pursuant to Section 3357 of the Ohio Revised Code. In November 1994, the Ohio Board of Regents approved changing the status of the College from a technical college to a community college, pursuant to Section 3358 of the Ohio Revised Code. Subsequent to June 30, 1994, the College changed its legal name to Owens State Community College but operates under the name Owens Community College. The College's purpose is to provide instruction in post-secondary education programs to residents of the College's district. Students who satisfactorily complete such programs receive associate degrees or certificates in liberal arts and sciences, technical, or professional fields.

The College is a component unit of the State of Ohio (the "State"). The accompanying financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include those activities and functions over which the College is financially accountable.

The Owens State Community College Foundation is being discretely reported as part of the College's reporting entity (although it is legally separate and governed by its own board of directors) because its sole purpose is to provide support for the College. This is being done in accordance with GASB Statement No. 39. Separate statements for the Foundation may be obtained through the State of Ohio Auditor's website.

(b) Financial Statement Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America for publicly owned colleges and universities, and are presented in accordance with the reporting model as prescribed in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments,* and GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities,* as amended by GASB Statement No. 37*, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus;* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. The College follows the "business-type" activities requirements of GASB Statement No. 34. This approach requires the following components of the College's financial statements:

- Management's discussion and analysis
- Basic financial statements, including a statement of net assets, statement of revenues, expenses, and changes in net assets, and a statement of cash flows for the College as a whole
- Notes to the financial statements

(1) Summary of Significant Accounting Policies (Continued)

GASB Statement No. 34 established standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following three net asset categories:

- Invested in capital assets, net of related debt: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets
- Restricted net assets - expendable: Net assets whose use by the College is subject to externally imposed constraints that can be fulfilled by actions of the College pursuant to those constraints or that expire by the passage of time
- Unrestricted: Net assets that are not subject to externally imposed constraints. Unrestricted net assets may be designated for specific purposes by action of the board of trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties

(c) Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits with banks. For purposes of the statement of cash flows, the College considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

(e) Investments

All investments are stated at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

(1) Summary of Significant Accounting Policies (Continued)

(f) Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable also include amounts due from the federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Allowances for receivables are determined by applying historical collection percentage to aged accounts receivable.

(g) Inventories

Inventories consist principally of merchandise in the College's bookstores and are stated at the lower of cost or market (net realizable value) using the first-in, first-out (FIFO) method.

(h) Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a cost of $5,000 or more and an estimated useful life of greater than one year. Renovations to buildings that exceed 5 percent of the cumulative building cost are capitalized. Infrastructure and improvements other than to buildings are capitalized if the cost exceeds $100,000. Routine repairs and maintenance are charged to operating expenses in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally as follows:

Land improvements	5 to 20 years
Buildings	40 years
Building improvements	10 to 20 years
Equipment	5 years
Computers, hardware, and software	3 years
Vehicles	5 years
Furniture and accessories	5 to 10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts.

(i) Deferred Revenue

Deferred revenue includes amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenue also includes amounts billed to students for the fall semester of fiscal year 2010 that has not yet been received. Additionally, deferred revenues include amounts received from grant and contract sponsors that have not yet been earned.

(1) Summary of Significant Accounting Policies (Continued)

(j) Compensated Absences

College employees accumulate sick leave at a rate of 15 days per year. It is the policy of the College that, upon retirement from the College, an employee with 10 years or more of service may receive one-fourth of his or her accumulated unused sick leave up to a maximum of 65 days. Payments at retirement for accumulated sick leave are calculated using the rate of compensation at the date of retirement. The College's policy is to accrue all sick leave for which payment is deemed probable.

College employees accumulate vacation based on years of service. It is the policy of the College that, upon separation from the College, an employee may receive his or her accumulated unused vacation. Certain limitations have been placed on the hours of vacation that employees may accumulate and carry over for payment at separation.

(k) Operating and Nonoperating Revenues

The College's policy for defining operating activities as reported on the statement of revenues, expenses, and changes in net assets is to report those activities that generally result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nearly all of the College's expenses are from exchange transactions. Certain significant revenue streams relied upon for operations are recorded as nonoperating revenues as defined by GASB Statement No. 34, including state appropriations, Pell revenue, grant revenue, and investment income. Restricted and unrestricted resources are spent and tracked at the discretion of the College's department within the guidelines of donor restrictions, if any.

(l) Student Tuition and Fees

Student tuition and fee revenues are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net assets.

(m) Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as federal, state, and nongovernmental programs, are recorded as operating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

(n) Auxiliary Activities

Auxiliary activities primarily represent revenues generated for the College's bookstore and various other departmental activities that provide services to the student body, faculty, and staff.

(1) Summary of Significant Accounting Policies (Continued)

(o) Income Taxes

Income taxes have not been provided on the general operations of the College because, as a state institution, its income is exempt from federal income taxes under Section 115 of the Internal Revenue Code (IRC).

(p) Eliminations

In preparing the basic financial statements, the College eliminates interfund assets and liabilities that would otherwise be reflected twice in the statement of net assets. Similarly, revenues and expenses related to internal service activities are also eliminated from the statement of revenues, expenses, and changes in net assets. Student tuition and fees, auxiliary activities, and scholarships and other student aid are presented net of scholarships applied to student accounts.

(q) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(r) Newly Issued Accounting Pronouncements

The College will be required to implement the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective with the fiscal year ending June 30, 2010. The College will be required to address accounting and financial reporting for intangible assets with regard to recognition, initial measurement, and amortization. The College has not yet determined the full impact of GASB Statement No. 51 on its financial statements.

The College will be required to implement the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective with the fiscal year ending June 30, 2010. The College will be required to address accounting and financial reporting for derivative instruments with regard to recognition, measurement, and disclosure. The College has not yet determined the full impact of GASB Statement No. 53 on its financial statements.

(s) Other

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the University has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected not to apply FASB pronouncements issued after the applicable date.

(2) Cash and Investments

The College uses the "pooled cash" method of accounting for substantially all of its operating cash and investments, which, as of June 30, 2009 and 2008, were as follows:

	2009	2008
Cash	$ 4,920,942	$ 10,433,157
Investments	15,830,089	13,368,174
Total	$ 20,751,031	$ 23,801,331

Cash balances are combined into one pool for making daily cash and investment transactions.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, requires cash and cash equivalents and investments held by the College to be categorized into the following custodial credit risk categories:

(a) Cash and Cash Equivalents

1. Insured or collateralized with securities held by the College or by its agent in the College's name
2. Collateralized with securities held by the pledging financial institution's trust department or agent
3. Uncollateralized

(b) Investments

1. Insured or registered, with securities held by the College or by its agent in the College's name
2. Uninsured and unregistered, with securities held by the broker's trust department or agent in the College's name
3. Uninsured and unregistered, with securities held by the broker or by its trust department or agent, but not in the College's name

At June 30, 2009, the carrying amount of the College's cash and cash equivalents for all funds was $4,920,942. The difference in the carrying amount and the bank balance of $6,555,858 is caused by items in transit and outstanding checks. Of the bank balance, $3,020,092 was covered by federal depository insurance and $3,535,766 was uncollateralized (category 3). All uncollateralized deposits are covered by a pledged collateral pool. Of the $3,020,092 covered by FDIC insurance, $2,225,634 is held in a NOW account that is fully insured until December 31, 2009, at which time only $200,000 will be insured.

At June 30, 2008, the carrying amount of the College's cash and cash equivalents for all funds was $10,433,157. The difference in the carrying amount and the bank balance of $10,540,636 is caused by items in transit and outstanding checks. Of the bank balance, $500,000 was covered by federal depository insurance and $10,040,636 was uncollateralized (category 3). All uncollateralized deposits are covered by a pledged collateral pool.

(2) Cash and Investments (Continued)

(b) Investments (Continued)

GASB 40 requires all investments to be recorded with the risk of the investments. Owens State Community College has no formal investment policy. Investments are made according to the Ohio Revised Code. The College's investments include U.S. government agency securities. These are considered to be no-risk investments.

Investments at June 30, 2009 and 2008 consist of investments in STAR Ohio of $331,980 and $1,126,321, respectively. GASB Statement No. 3 does not require STAR Ohio's assets to be categorized. Also included in investments are Freddie Mac and Fannie Mae with market value at June 30, 2009 and 2008 of $13,418,442 and $12,241,853, respectively. The governmental agency investments, other than STAR Ohio, fall under category No. 1 above for investments. Investments also include a long-term certificate of deposit in First Federal of the Midwest acquired in fiscal year 2009 with a market value of $2,079,667 at June 30, 2009.

STAR Ohio is an investment pool managed by the State Treasurer's office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2009 and 2008.

Substantially all of the College's investments have maturities less than one year. As a result, the interest rate risk is not considered significant.

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2009, 60 percent of the College's investments were invested in Federal National Mortgage Association securities and 40 percent were invested in Federal Home Loan Bank securities. At June 30, 2008, 30 percent of the College's investments were invested in Federal National Mortgage Association securities and 70 percent were invested in Federal Home Loan Bank securities. All investments were rated AAA by Moody's at June 30, 2009 and 2008.

The Foundation holds certain investments for the benefit of the College. Investments valued at market value at the Foundation by major security type are as follows:

	2009	2008
Bond mutual fund	$ 272,284	$ 247,854
Equity mutual fund	1,107,445	1,192,575
Other	40	40
Totals	$ 1,379,769	$ 1,440,469

(3) Accounts Receivable

The composition of accounts receivable at June 30, 2009 and 2008 is summarized as follows:

	2009	2008
Student receivables for fees and auxiliary services	$ 21,154,607	$ 18,432,802
Allowance for doubtful accounts	(1,170,000)	(2,005,000)
Grants - Federal, state, and local	2,740,200	3,256,772
Capital appropriations	351,620	247,565
Interest receivable	15,166	18,124
Other	1,091,896	625,003
Total	$ 24,183,489	$ 20,575,266

(4) Student Loans Receivable

Student loans consist of federal and non-federal loans. The College is in the process of closing its Perkins Program. At this point, the College has paid the amount which was due to be repaid as its federal share and $23,672 to be paid to purchase the loans not accepted by the DOE. This will have to be repaid in the next year. Non-federal loan programs are funded principally with local grants to the College under these programs.

(5) Accounts Payable

The composition of accounts payable at June 30, 2009 and 2008 is summarized as follows:

	2009	2008
Trade payables	$ 2,656,472	$ 2,561,771
Construction payables	351,692	247,565
Total	$ 3,008,164	$ 2,809,336

(6) State Support

The College is a state-assisted institution of higher education, which receives a student-based subsidy from the State of Ohio. This subsidy is determined annually based upon a formula devised by the State of Ohio.

In addition to student subsidies, the State of Ohio provides funding for construction of major plant facilities. The funding is obtained by the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC). Such facilities are reflected as buildings, improvements other than buildings, or construction in progress in the accompanying statement of net assets. College facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund, established in the custody of the Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to all students in state-assisted institutions of higher education throughout the state.

(6) State Support (Continued)

As a result of the above-described financial assistance provided by the State of Ohio to the College, outstanding debt issued by OPFC is not included on the College's statement of net assets. In addition, appropriations by the General Assembly to the Board of Regents for payments of debt service are not reflected as appropriation revenues received by the College, and the related debt service payments are not recorded in the College's accounts.

The College capitalizes the costs of renovations to existing facilities as funds are expended. As of June 30, 2009 and 2008, construction in progress on such new facilities was $4,109,400 and $489,379, respectively, and unexpended appropriations authorized by the State of Ohio legislature for the purchase of land, renovation of existing facilities, and construction of new facilities were $8,625,876 and $8,864,542, respectively.

(7) Retirement Plans

The College contributes to two cost-sharing, multiple-employer defined benefit plans: (1) School Employees Retirement System (SERS), and (2) State Teachers Retirement System of Ohio (STRS). Both plans provide retirement, disability, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code (ORC) for SERS and Chapter 3307 for STRS. SERS and STRS issue stand-alone financial reports. Interested parties may obtain a copy by making a written request to 300 E. Broad Street, Columbus, Ohio, 43215-3746, or by calling (614) 222-5853, for SERS, and 275 East Broad Street, Columbus, Ohio, 43215-3771, or by calling (614) 227-4090, for STRS.

The funding policy for the above plans is as follows:

SERS: The ORC provides statutory authority for employee and employer contributions. During 2009, SERS employees contributed 10 percent of their salary to the plan, and the College contributed 14 percent of covered payrolls to the plan. The total employer contributions to SERS for the years ended June 30, 2007, 2008, and 2009 were $2,414,102, $2,719,906 and $2,648,301, respectively, which were equal to the required contributions for each year.

STRS: The ORC provides statutory authority for employee and employer contributions. During 2008, STRS employees contributed 10 percent of their salary to the plan, and the College contributed 14 percent of covered payrolls to the plan. The total employer contributions to STRS for the years ended June 30, 2007, 2008, and 2009 were $4,048,168, $4,304,393 and $4,611,806, respectively, which were equal to the required contributions for each year.

Ohio Amended Substitute House Bill 586 (Ohio Revised Code 3305.2) became effective March 31, 1998, authorizing an alternative retirement system for academic and administrative college employees of public institutions of higher education who are currently covered by the State Teachers Retirement System. The Owens State Community College Board of Trustees adopted such a plan effective February 1999. This plan is a defined contribution plan under IRC Section 401(a).

(7) Retirement Plans (Continued)

Eligible employees (those who are full-time and salaried) have 90 days from their date of hire to make an irrevocable election to participate in the alternate retirement plan. Under this plan, employees who would have otherwise been required to be in STRS and who elect to participate in the alternate retirement program must contribute the employee's share of retirement contributions (10 percent STRS) to one of eight private providers approved by the State Department of Insurance. The legislation mandates that the employer must contribute 3.5 percent to the state retirement system to which the employee would have otherwise belonged. The employer also contributes what would have been the employer's share of the appropriate retirement system, less the aforementioned 3.5 percent, to the private provider selected by the employee. The College plan provides these employees with immediate plan vesting. The total employer contribution to the alternative retirement plan for the years ended June 30, 2007, 2008, and 2009 were $102,450, $141,591 and $133,224, respectively.

(8) Postemployment Benefits Other than Pension Benefits

In addition to the pension benefits described in Note 7, the Ohio Revised Code provides the statutory authority requiring the College to fund postretirement healthcare through employer contributions to SERS and STRS.

(a) SERS

SERS provides postretirement healthcare coverage to age-and-service retirees with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. Healthcare coverage for disability recipients is available. The healthcare coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply. A portion of each employer's contribution to SERS is set aside for the funding of postretirement healthcare. The Ohio Revised Code provides statutory authority for employer contributions. The 2009 and 2008 employer contribution rate for state employers was 14 percent of covered payroll; 3.32 percent was the portion that was used to fund healthcare. In addition, SERS levies a surcharge to fund healthcare benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2008 and 2009, the minimum pay was established as $35,800.

OPEBs are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree healthcare, along with investment income on allocated assets and periodic adjustments in healthcare provisions, are expected to be sufficient to sustain the program indefinitely.

For the year ended June 30, 2009, expenditures for OPEBs as a whole for SERS were $226.4 million. The number of eligible benefit recipients for SERS was 55,244.

(8) Postemployment Benefits Other than Pension Benefits (Continued)

(b) STRS

STRS provides comprehensive healthcare benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for healthcare coverage. Pursuant to the ORC, STRS has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS. Most benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer's contribution rate, currently 14 percent of covered payroll.

The STRS board currently allocates employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund, from which payments for healthcare benefits are paid. The balance in the Health Care Reserve Fund was approximately $3.7 billion at June 30, 2008.

For the year ended June 30, 2008, the net healthcare costs paid by the STRS system as a whole were $288.9 million. There were 126,506 eligible benefit recipients.

(9) Federal and State Grants

The College participates in certain state and federally assisted grant programs. Revenues from government grants and contracts are recognized as the related costs are incurred. These programs are subject to financial and compliance audits by the grantors or their representatives. Until such audits are completed, there is a possibility that some portions of such grants may have to be refunded. Management of the College believes there will be no material adjustments to the grants and, accordingly, has not recorded a provision for possible repayments under the above programs.

The College also participates in several United States government student loan programs. Such programs are required to comply with requirements determined by the Department of Education and are subject to audit and adjustments. Such adjustments could result in requests for reimbursement by the Department of Education for costs, which may be disallowed as appropriate expenses under the grant terms. Management believes disallowances, if any, will not be material.

(10) Capital Assets

Capital asset activity for the years ended June 30, 2009 and 2008 was as follows:

2009	Balance June 30, 2008	Additions	Retirements	Balance June 30, 2009
Nondepreciated capital assets:				
Land	$ 5,005,150	$ -	$ 5,739,433	$ 10,744,583
Construction in progress	489,379	3,951,783	(331,762)	4,109,400
Total nondepreciated capital assets	5,494,529	3,951,783	5,407,671	14,853,983
Other capital assets:				
Land improvements	15,115,060	866,315	-	15,981,375
Buildings	95,252,305	892,329	(5,739,433)	90,405,201
Leasehold improvements	223,286	8,352	-	231,638
Equipment	10,307,188	713,187	-	11,020,375
Computers, hardware, and software	8,236,043	100,000	-	8,336,043
Vehicles	1,695,499	37,765	-	1,733,264
Furniture and accessories	633,486	-	-	633,486
Total other capital assets	131,462,867	2,617,948	(5,739,433)	128,341,382
Total capital assets	136,957,396	6,569,731	(331,762)	143,195,365
Accumulated depreciation:				
Land improvements	(8,180,806)	(723,558)	-	(8,904,364)
Buildings	(32,500,335)	(2,627,726)	-	(35,128,061)
Leasehold improvements	(22,329)	(23,164)	-	(45,493)
Equipment	(8,818,393)	(834,887)	-	(9,653,280)
Computers, hardware, and software	(8,063,360)	(132,624)	-	(8,195,984)
Vehicles	(1,468,095)	(109,693)	-	(1,577,788)
Furniture and accessories	(512,539)	(60,654)	-	(573,193)
Total accumulated depreciation	(59,565,857)	(4,512,306)	-	(64,078,163)
Total capital assets - Net	$ 77,391,539	$ 2,057,425	$ (331,762)	$ 79,117,202

The College has several active construction projects resulting in total commitments to vendors of approximately $559,000 at June 30, 2009.

(10) Capital Assets (Continued)

2008	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
Nondepreciated capital assets:				
Land	$ 4,717,397	$ 287,753	$ -	$ 5,005,150
Construction in progress	7,106,989	489,379	(7,106,989)	489,379
Total nondepreciated capital assets	11,824,386	777,132	(7,106,989)	5,494,529
Other capital assets:				
Land improvements	8,415,281	6,699,779	-	15,115,060
Buildings	88,236,918	7,015,387	-	95,252,305
Leasehold improvements	-	223,286	-	223,286
Equipment	9,430,494	876,694	-	10,307,188
Computers, hardware, and software	8,065,287	170,756	-	8,236,043
Vehicles	1,663,775	83,475	(51,751)	1,695,499
Furniture and accessories	625,321	8,165	-	633,486
Total other capital assets	116,437,076	15,077,542	(51,751)	131,462,867
Total capital assets	128,261,462	15,854,674	(7,158,740)	136,957,396
Accumulated depreciation:				
Land improvements	(7,336,347)	(844,459)	-	(8,180,806)
Buildings	(29,941,055)	(2,559,280)	-	(32,500,335)
Leasehold improvements	-	(22,329)	-	(22,329)
Equipment	(8,031,752)	(786,641)	-	(8,818,393)
Computers, hardware, and software	(7,957,098)	(106,262)	-	(8,063,360)
Vehicles	(1,377,553)	(114,677)	24,135	(1,468,095)
Furniture and accessories	(451,885)	(60,654)	-	(512,539)
Total accumulated depreciation	(55,095,690)	(4,494,302)	24,135	(59,565,857)
Total capital assets - Net	$ 73,165,772	$ 11,360,372	$ (7,134,605)	$ 77,391,539

(11) Related Organization

The College is affiliated with the Owens State Community College Foundation (the "Foundation"), which was established in June 1996 by the trustees of the College through signing a resolution that transferred all assets, liabilities, principal, and income from the Michael J. Owens Technical College Charitable Trust (the "Trust") to the Foundation. The Foundation has been determined to be exempt from federal income taxes under IRC Section 501(c)(3). The Foundation also reimburses the College for certain educational expenses. Total assets of the Foundation as of June 30, 2009 and 2008 were $2,178,484 and $2,269,470, respectively. The College received $273,142 and $242,093 from the Foundation in 2009 and 2008, respectively. The Foundation owed the College $78,419 and $48,498 as of June 30, 2009 and 2008, respectively.

(12) Risk Management

During the normal course of operations, the College has become a defendant in various legal actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of legal counsel and College management, the disposition of all pending litigation will not have a material adverse effect on the financial condition of the College.

The College carries commercial insurance to cover various general liability risks, auto liability, property and boiler, and umbrella excess liability. The College believes in minimizing its risks through the procurement of the aforementioned coverage. Liabilities exceeding the umbrella excess and deductible amounts are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Management believes those incurred but not reported claims, if any, are immaterial.

The College maintains a split-funded health insurance program. Prevention of catastrophic losses is maintained through both individual and aggregate stop-loss coverage. Stop loss per individual is $150,000. The College's cost during the year for this program is for the payment of claims, third-party claims administration, and stop-loss coverage.

The College is self-insured for workers' compensation with aggregate stop-loss coverage of $350,000.

(13) Noncurrent Liabilities

Noncurrent liabilities activity for the years ended June 30, 2009 and 2008 was as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009	Amount Due Within One Year
Benefits payable	$ 2,904,190	$ 216,162	$ 316,158	$ 2,804,194	$ 140,210
Notes payable	536,241	-	259,746	276,495	111,996
Non-federal student loans	147,324	-	-	147,324	-
Federal student loans	6,023	-	6,023	-	-

	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008	Amount Due Within One Year
Benefits payable	$ 2,424,333	$ 605,147	$ 125,290	$ 2,904,190	$ 145,210
Notes payable	401,212	349,710	214,681	536,241	267,797
Non-federal student loans	147,324	-	-	147,324	-
Federal student loans	89,483	6,023	89,483	6,023	-

The College took on debt, consisting of two notes payable for the purchase of a new phone system. The original amounts of the notes were in the amounts of $112,048 and $784,270. The notes were signed on August 4, 2004 at a rate of 4.73 percent interest, with payments to begin in September 2004.

Two additional notes began in January 2008 for the purchase of two new pieces of equipment.

Schedule of maturities for the notes are as follows:

	Principal	Interest	Total
2010	$ 111,996	$ 10,706	$ 122,702
2011	60,886	6,878	67,764
2012	42,049	4,415	46,464
2013	39,791	2,308	42,099
2014	21,773	330	22,103
	$ 276,495	$ 24,637	$ 301,132

Supplemental Information

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Owens Community College

We have audited the financial statements of Owens Community College as of and for the year ended June 30, 2009 and have issued our report thereon dated October 14, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Owens Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Trustees
Owens Community College

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Owens Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 14, 2009

Plante & Moran, PLLC
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Toledo, OH 43617
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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Owens Community College

Compliance

We have audited the compliance of Owens Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The major federal programs of Owens Community College are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Owens Community College's management. Our responsibility is to express an opinion on Owens Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Owens Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Owens Community College's compliance with those requirements.

In our opinion, Owens Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

To the Board of Trustees
Owens Community College

Internal Control Over Compliance

The management of Owens Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Owens Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 14, 2009

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Cluster - U.S. Department of Education - Direct Student			
Financial Assistance:			
Federal Supplemental Educational Opportunity Program	84.007	N/A	$ 390,677
Federal Family Education Loan Program	84.032	N/A	51,402,026
Federal Work-Study Program	84.033	N/A	590,426
Academic Competitiveness Grant	84.375	N/A	102,425
Federal Pell Grant Program	84.063	N/A	20,197,827
Total Student Financial Assistance Cluster			72,683,381
Other federal awards:			
U.S. Department of Education:			
Vocational education (Perkins II)	84.048	VECPIII-P01	392,564
Title III - Higher Education Institutional Aid-Strengthening Institutions	84.031A		402,939
Passed through the State of Ohio Department of Education -			
Adult Basic and Literacy Education (ABLE) Grants:			
Adult Basic and Literacy Education	84.002	074864-AB-S1-09	127,431
Adult Basic and Literacy Education	84.002	074864-AB-SL-09	249,778
Adult Basic and Literacy Education	84.002	074864-AB-SL-08C	26,265
Total Adult Basic and Literacy Education Grants			403,474
Passed through from University of Toledo - Short-Cycle			
Higher Education in Europe and the United States	84.116	P116J080023	6,357
Ohio Supercomputer Network & Emergency Preparedness			
Training Initiative	84.116Z	P116Z080156	143,449
Passed through from the State of Ohio Board of Regents			
Ralph Regula School of Computational Science	84.215	U215K040292	3,240
Passed through from University of Toledo -			
Technical preparation	84.243	N/A	9,869
Total U.S. Department of Education			1,361,892
U.S. Department of Health and Human Services:			
Passed through from HMTRI/Kirkwood Community College -			
NIEHS Hazardous Substances Basic Research and Education	93.143	5U45ES06177-09	1,288
Passed through from Ohio Board of Regents and OARNet -			
Third Frontier Network Support of Inter-Institutional Collaboration	93.211	N/A	11,325
Total U.S. Department of Health and Human Services			12,613

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Other federal awards (Continued):			
National Science Foundation:			
Passed through from Moraine Valley Community College			
NSF - Center for Systems Security and Information Assurance	47.076	N/A	$ 11,490
Passed through from Ohio State University Research Foundation			
NSF - Computational Science Program for Ohio Community and Technical Colleges	47.076	DUE-0703087	34,336
Passed through from Bowling Green State University - NSF -			
SET - GO: Science, Engineering, and Technology Gateway Ohio	47.076	DUE-0757001	972
Total National Science Foundation			46,798
Workforce Investment Act - WIA AEFLA Incentive Grant -			
Passed through from Ohio Board of Regents - ABLE Transition Collaboratives	17.267	074864-AB-WIA-2009	92,380
Department of Health and Human Services - TANF Education			
Awards Program - Passed through from Ohio Board Regents	93.558	N/A	359,100
Total federal awards			**$ 74,556,164**

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Owens Community College and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Adjustments and Transfers

The current year grant award for the Federal Supplemental Education Opportunity Grant (84.007) was $304,161. It was supplemented by a transfer from the Federal Work Study Program (84.033) of $86,516 for a total of $390,677.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ____ Yes __X__ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.032, 84.033, 84.063, 84.375	U.S. Department of Education - Student Financial Aid Cluster

Dollar threshold used to distinguish between type A and type B programs: $694,624

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

Mary Taylor, CPA
Auditor of State

OWENS STATE COMMUNITY COLLEGE

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2009

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